
National Grid ESO
Faraday House
Gallows Hill
Warwick
CV34 6DA

Julian Leslie
Julian.Leslie@nationalgrideso.com

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ESO Response to the consultation on the Early-Stage Assessment for Anticipatory Investment

Dear Aliabbas Bhamani,

Thank you for the opportunity to respond to your consultation on the Early-Stage Assessment for Anticipatory Investment including the associated guidance document.

Who we are

As the Electricity System Operator (ESO) for Great Britain, we are at the heart of the energy system, balancing electricity supply and demand second by second.

Our mission, as the UK moves towards its 2050 net zero target, is to drive the transformation to a fully decarbonised electricity system by 2035, one which is reliable, affordable, and fair for all. We play a central role in driving Great Britain's path to net zero and use our unique perspective and independent position to facilitate market-based solutions to the challenges posed by the trilemma.

Our transformation to a Future System Operator (FSO) is set to build on the ESO's position at the heart of the energy industry, acting as an enabler for greater industry collaboration and alignment. This will unlock value for current and future consumers through more effective strategic planning, management, and coordination across the whole energy system.

Our key messages

- We believe that the Early-Stage Assessment guidance document is clear and concise, and we also welcome being a consulted party where asked as part of the assessment process.
- We welcome the opportunity for the Later User to become the Initial User whereby the Initial User has either delayed their project or cancels their project. However, we feel that it is important that all parties do understand the process and timelines associated with the change of Initial User.
- We believe that the Early-Stage Assessment guidance document is clear and concise, and we also welcome being a consulted party where asked as part of the assessment process.
- We are supportive that there are no timing restrictions on when applications for the Early-Stage Assessment can be submitted. However, it should be highlighted, that once the User Commitment arrangements have been extended to incorporate Anticipatory Investment, the AI liability will be at £0 until such point the Early-Stage Assessment has been concluded.

- We agree with Ofgem's approach to reviewing costs in the Early-Stage Cost Assessment. We believe that this is important in demonstrating a fair and consistent approach.
- We recognise the importance of clarifying the material change criteria, and although we believe that the guidance document is clear and concise, further clarification on what would be deemed a material change would be advisable within the guidance document to prevent possible delays and confusion to the process where this is required.

More information to these points can be seen in our response to your questions appended in this letter.

We welcome the opportunity to discuss any of the points raised within this response. Should you require further information or clarity on any of the points outlined in this paper then please contact David Witherspoon in the first instance at David.witherspoon@nationalgrideso.com. Our response is not confidential.

Yours sincerely

Julian Leslie

Head of Networks

Appendix 1 – Consultation Question Responses

Question 1 Do you agree that the Later User should assume responsibility for the construction of the coordinated solution should the Initial User become delayed?

We agree that the Later User should assume responsibility and believe that this is a positive step in ensuring that offshore coordinated projects do not incur any unnecessary delays in the scenarios whereby the Initial User either becomes delayed or terminates its project.

We recognise that where the Later User becomes the Initial User, the AI Liabilities currently being proposed through CUSC Modification CMP402 would need to be changed to reflect the revised position. We therefore seek further clarity as to whether there would be a need for a new application to be submitted to the Early-Stage Assessment process if there are no material changes, and the overall AI costs remain the same.

Question 2 Do you have any views on the Draft Early-Stage Assessment Guidance Document?

We believe the Early-Stage Assessment guidance document is clear and concise in setting out the requirements that developers would need to follow in submitting applications for the AI assessment and the timings around the process. We have noted a few key points for further consideration based on our understanding:

- We note that the Initial User can submit an application for the Early-Stage Assessment at any point, and although we support this approach, we feel that it is important that all parties understand the timeline for when AI liabilities will be applied to contracts. Under the current proposal under CMP402, the Later User would have £0 AI User Commitment liabilities until the Early-Stage Cost Assessment has concluded and the AI costs passed onto the ESO in order to produce the Cancellation Charge Statements.
- AI costs can be revisited in future cost assessment stages. Where AI costs have changed, we would need to ensure that the User Commitment Liabilities are amended in a timely manner. Further clarification is required from Ofgem for the scenario whereby the Later User has “fixed” its original AI liabilities.
- To be eligible for the Early-Stage Cost Assessment, developers must have valid connection agreements. We therefore seek confirmation as to whether the connection agreements should be reflective of the coordinated solution which will cover the AI works to be included within the assessment.
- Further clarification is required as to whether a new application would need to be submitted whereby the Later User becomes responsible for the delivery of the coordinated solution. We note that within your guidance document, this will be carried out within the broad cost agreed between Ofgem and the Initial User at the Early-Stage Assessment stage.

Question 3 Do you agree with Ofgem’s approach to reviewing costs in the ESA?

Yes, we are supportive of the approach to reviewing costs. We believe that this will provide a level of certainty for developers as well as demonstrate a fair and consistent approach. We do note in 2.20 of the guidance document that we may be a consulted party as part of the assessment process and we would therefore welcome further views from you as to the level of information that may be required if requested.

Question 4 Do you have any views on what should constitute a material change for projects?

In our view, we feel that further detail to the information that you have documented in 3.11 of the ESA consultation, such as timings, would support developers further. For instance, where the scope of activities has changed, there could be an impact on AI User Commitment liabilities and works stated within the

connection agreements. Where there are impacts, it is important that all parties understand the end-to-end process and timeline.

Question 5 Do you agree with Ofgem's proposed approach to projects which experience material change?

We are supportive of the approach that Ofgem should be made aware of any revisions deemed as a material change to the scope of AI works that have been originally assessed. We also agree that where the changes have materially impacted the CBA of the coordinated solution, the reassessment of the submission would be beneficial to consumers and relevant stakeholders.